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RUEHLN RUEHLZ RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHSI #0384/01 0571352
ZNR UUUUU ZZH
R 261352Z FEB 07
FM AMEMBASSY TBILISI
TO RUEHC/SECSTATE WASHDC 5453
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS SECTION 01 OF 02 TBILISI 000384

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E.O 12958: N/A

TAGS: [PREL](#) [PGOV](#) [GG](#)

SUBJECT: Georgia Update February 23

1. This cable contains current items of political, economic, and social interest concerning Georgia during the weeks of February 10-23.

The 81 Richest Georgians?

2. The newspaper Georgian Times stirred up considerable public interest with its February 15 list of Georgians with estimated wealth above USD 10 million. The list includes 81 persons living in or outside Georgia, many of them former or current members of the government. The biggest news was the appearance of the names of former Defense Minister Irakli Okruashvili and Prime Minister Zurab Noghaideli on the list, with USD 250 and USD 75 million dollar estimated wealth respectively. Several members of the parliament also were alleged to be millionaires. The newspaper, whose credibility has often been questioned, did not explain the precise methodology that was used to compile the list, but said that the list was based on capital value owned by individuals and on information provided by independent experts and the individuals themselves.

Parliament Debates Murder Cases

3. On February 16, the opposition proposed creation of a special parliamentary commission to investigate the high-profile murders in 2006 of Sandro Girgvliani and Amiran Robakidze. Opposition MPs and some human rights activists believe that high-level Interior Ministry officials were involved in both murders and have yet to be held responsible. The proposal failed, however, with many ruling party MPs arguing that such a commission would be a "vote of no confidence in the Prosecutor's Office and the judiciary." Some lawmakers from the ruling party, mainly those with close links to Parliamentary Speaker Nino Burjanadze, voted for the commission. Burjanadze, who was visiting Canada at the time of the vote, had said in Parliament February 13 that Georgian courts should shed light on the Girgvliani murder case "in a way expected by society."

Parliament Focuses on Property Rights

4. The opposition has called for a property rights protection bill, keeping the issue front-and-center since the opening of Parliament's spring session. Opposition factions have prepared a draft law that would require a court decision for any confiscation of private property, limit the time frame for challenging entries in the public register, and require the Prosecutor's Office to investigate every case of property confiscation. Responding to the opposition's call for a property rights protection bill, Parliamentary Speaker Nino Burjanadze suggested lawmakers set up an inter-faction group to look into reported cases of property rights' abuse by the authorities and to elaborate a bill to provide additional protection. Opposition MPs welcomed this initiative.

Raising Business Awareness of Parliamentarians

5. An office of the UK-based International Association of Business and Parliament (IABP) opened in the Georgian Parliament on February

¶13. The project, sponsored by EU and other donors, is designed to support good governance and economic development through building transparent and non-corrupt relationship between business and legislators. IABP is expected to facilitate dialogue between business and Parliamentarians on business-related issues. Speaker Burjanadze expressed hope that development of the Georgian model for business and Parliament could be transferred to other emerging economies.

German FM Visits Tbilisi

¶16. German Foreign Minister Frank-Walter Steinmeier visited Tbilisi on February 19 and met President Saakashvili, Prime Minister Noghaidei and Foreign Minister Bezhuashvili. Talks focused on the role of the EU in the resolution of Georgia's separatist conflicts and Germany's stance on Georgia's accession to NATO, as well as Georgia's European Neighborhood Policy action plan, Georgian-Russian relations and issues related to energy security. Steinmeier said publicly that resolution of the conflicts should not be a precondition for the country's NATO membership, although he noted that the linkage between these two factors "is a difficult issue." Steinmeier said any Kosovo precedent could not be considered applicable to the conflicts in Georgia, and added that Germany is ready to push for conflict resolution issues in Georgia as part of a German-Russia dialogue.

Visits Highlight Investment from Kuwait, UAE

¶17. Prime Minister Zurab Noghaidei visited Kuwait on February 17-19, saying afterward that the "Kuwaiti government will invest in energy and infrastructure development in Georgia." The Economic Development Fund of Kuwait, which has provided USD 18 million for rehabilitation of Tbilisi roads this year, will provide an additional USD 720 million for construction of the Namaxvanhesi hydro power plant on the Rioni river in 2009-2014, the construction of a highway in eastern Georgia scheduled for 2008, and (with

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co-financing from Turkish investors) the refurbishment of Batumi Airport. During his visit in the United Arab Emirates (UAE) on February 15-17, President Saakashvili reportedly discussed the UAE's potential investment of USD 817 million in real estate projects in Georgia.

Landing Safely in Tbilisi

¶18. Reviews of the new terminal of the Tbilisi International Airport, which opened February 7, have been generally positive but a leaky roof led to the resignation of the airport's director February 19. The new terminal, with an annual capacity of 2.5 million passengers and a total area of 24,000 square meters, was built by a Turkish consortium over the past year. In his opening speech, President Saakashvili described the airport as one of the best in Europe. Nevertheless, a light rain ten days later caused a leakage in the terminal's glass roof, which was followed quickly by the director's resignation. The Batumi Airport in western Georgia, being rebuilt by the same consortium, is scheduled to open in May 2007.

New Georgian-Turkish Airline to be Launched

¶19. A new Georgian-Turkish airline is expected to start flights by the summer of 2007. The Georgian Industrial Group (GIG) and Pegasus Airlines have signed a memorandum to create a joint venture offering competitive prices and western-style services. GIG is a large industrial consortium, which owns cement factories, the Azoti fertilizer plant, coal mines, and gas infrastructure assets in Georgia. Pegasus is the oldest private airline in Turkey. It flies Boeing 737-400's and Boeing 737-800's to more than 70 countries.

Prospects for Domestic Gas Production

¶10. In February Canargo Energy Corporation began exploration of natural gas deposits near Kumisi lake south of Tbilisi. According to a memorandum of understanding signed by the Ministry of Energy and Canargo in March 2006, the government will buy the whole amount of gas discovered in Kumisi. Canargo, an oil and gas exploration

and production company with operations in Georgia and Kazakhstan expects initial results of the exploration in the summer of 2007. Presently Georgia is net importer of gas, mainly from Russia.

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